

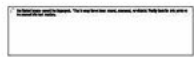
PX 218

Message

From: Chris Larsen [redacted@ripple.com]
on behalf of Chris Larsen <[redacted@ripple.com]> [redacted@ripple.com]
Sent: 2/26/2013 9:57:25 AM
To: [redacted@ripple.com]
CC: [redacted@ripple.com] <[redacted@ripple.com]>; [redacted@ripple.com]
Subject: Re: Introduction
Attachments: Ripple 4.4.pdf

Hi Tim,
Great to meet you too and look forward to chatting [redacted] can help set up a time on our end. Also, attached is a current deck on the Ripple Network and OpenCoin Inc.
All the best,
Chris

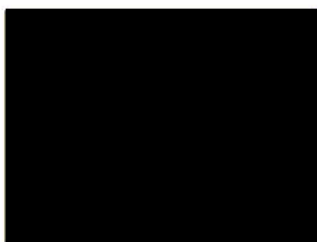
CHRIS LARSEN | CEO
OpenCoin, INC.
[redacted@ripple.com] | www.ripple.com



On Mon, Feb 25, 2013 at 9:28 PM, [redacted@ripple.com] wrote:
Thanks for the kind intro, [redacted]

Chris- it's a pleasure to meet you. Would you have time to chat by phone, and would you have an exec summary or overview slides to help us get up to speed?

Best-
[redacted]



From: [redacted@ripple.com]
Sent: Monday, February 25, 2013 06:28 AM
To: Chris Larsen <[redacted@ripple.com]>; [redacted]
Subject: Introduction

Chris – Please meet [redacted] co-investor, friend and great guy. [redacted] as named to [redacted] in 2011 and 2012 and has invested in [redacted] He has particular expertise in gaming and has also made several investments in [redacted] both of which may create interesting connections for Ripple.

[REDACTED] Please meet Chris Laren, co-founder/CEO of Ripple and prior founder of eLoan and Prosper. I'm a new investor, and I think Chris and co-founder Jed McCaleb have the fintech chops to make Ripple into a worldwide p2p payment system and digital currency.

Hope you connect soon. Plmk if I can help.

Best,
[REDACTED]

OpenCoin Inc.



February 2013

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OpenCoin Founders and Team

Chris Larsen, CEO and co-founder

- CEO and co-founder, Prosper.com, 2004 to 2012: peer-to-peer lending marketplace
- CEO and co-founder, E-LOAN, 1992 to 2004: publicly traded online lender
- Stanford MBA, 1991

Jed McCaleb, CTO and co-founder

- CTO and founder, MetaMachine, 1999 to 2005: creator of the eDonkey file sharing application, one of the world's largest at the time
- CEO and founder, Mt.Gox, 2010 to 2011: largest Bitcoin exchange, sold in 2011 to start this venture

David Schwartz, Chief Cryptographer

- Chief Technical Officer, WebMaster Incorporated, 2001-2011, cloud based software
- Worked with NSA on cryptography

Arthur Britto, Software developer and co-founder

- Created one of the first ISP's and one of the first Bitcoin exchanges. Highly respected in Bitcoin community.

[REDACTED] Software developer

[REDACTED] UI designer



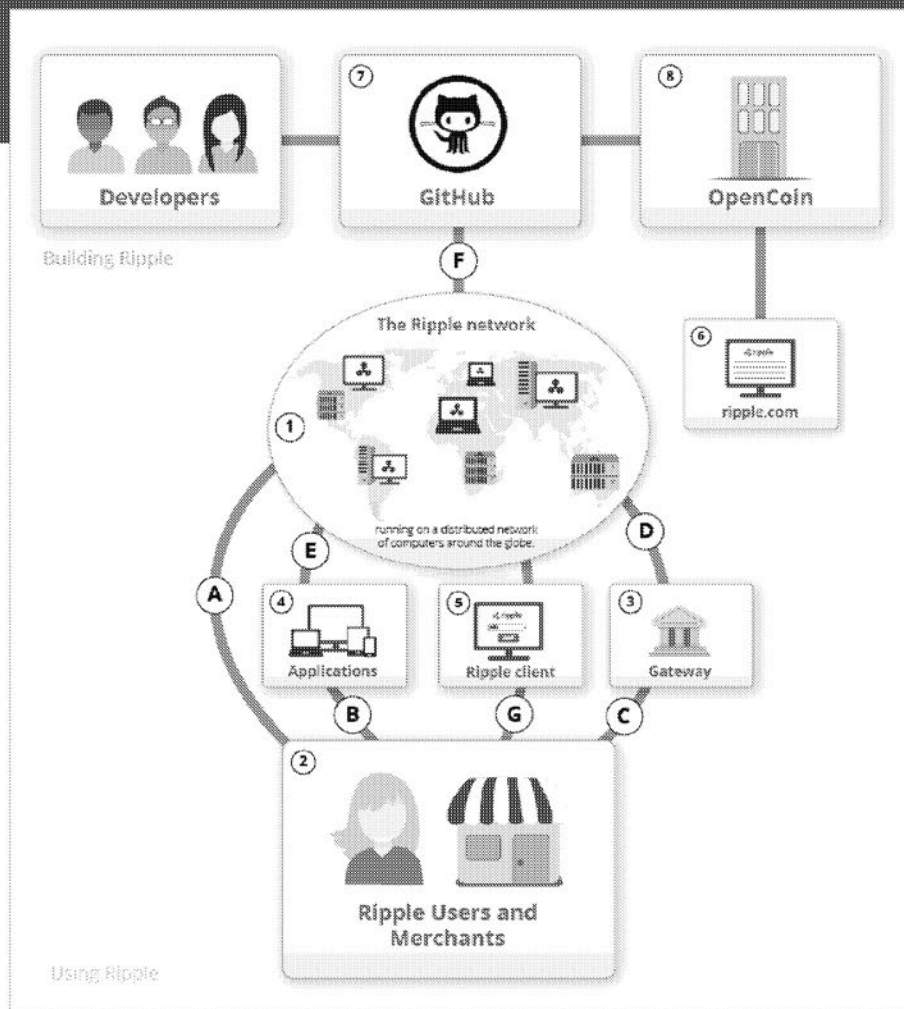
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Summary

- Ripple is a distributed open source global payments network that belongs to everyone enabling:
 - Free payments to merchants, consumers and developers
 - Ability to pay in any currency through a distributed exchange
 - Instant global payments that eliminate chargebacks
- Ripple is designed as a distributed ledger. The ledger includes the creation of a new currency called ripples.
 - New users receive free ripples when they create an account
 - Ripples are initially used in lieu of transaction fees to prevent system attacks
 - Because of their cost advantages, ripples should become a popular payment medium
- OpenCoin Inc. is the for profit entity that maintains the software and promotes the network. OpenCoin's business model is based on ripples gaining acceptance and value.



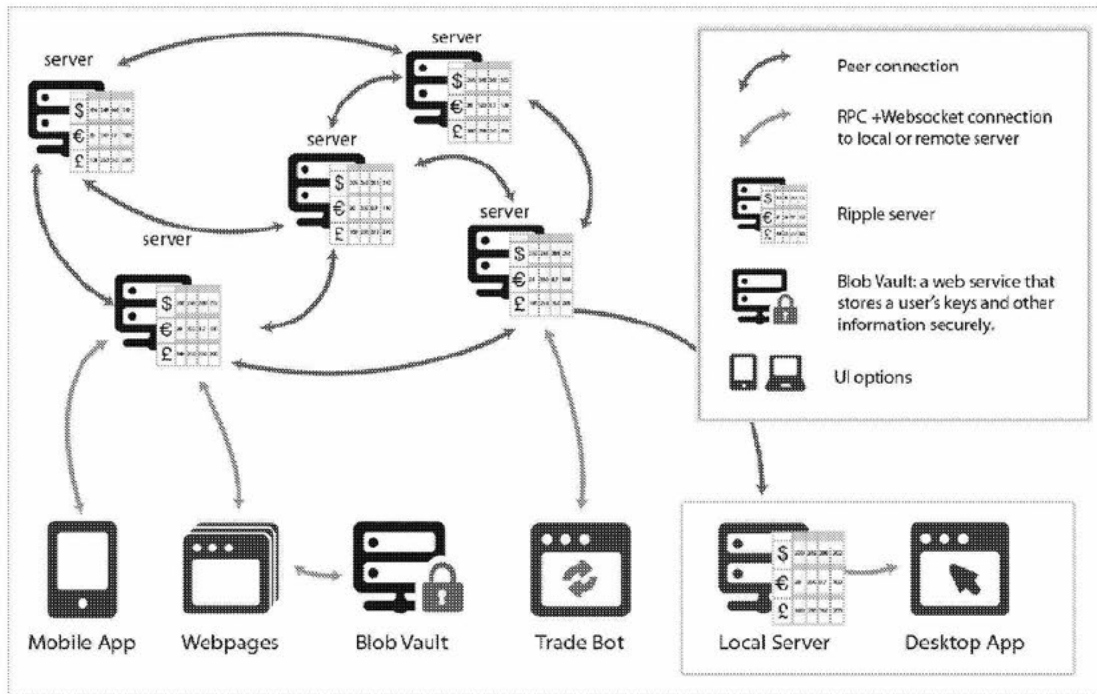
Key Elements



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Distributed Ledger and Consensus

- Keeps track of balances in any currency
- Enables creation of a native currency – ripples - as credits in the ledger
- Enables nickname association to public keys: (@jed = [REDACTED])



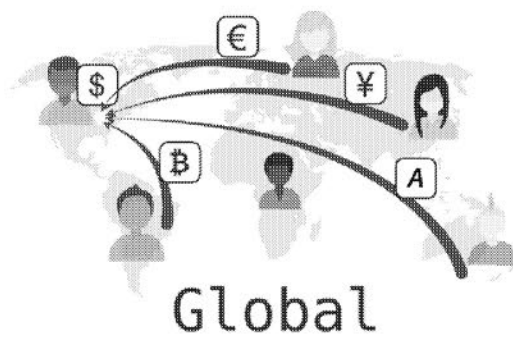
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Ripple Open Source Client



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Ripple Benefits



\$0.0001
per transaction

Free-ish



No Charge backs



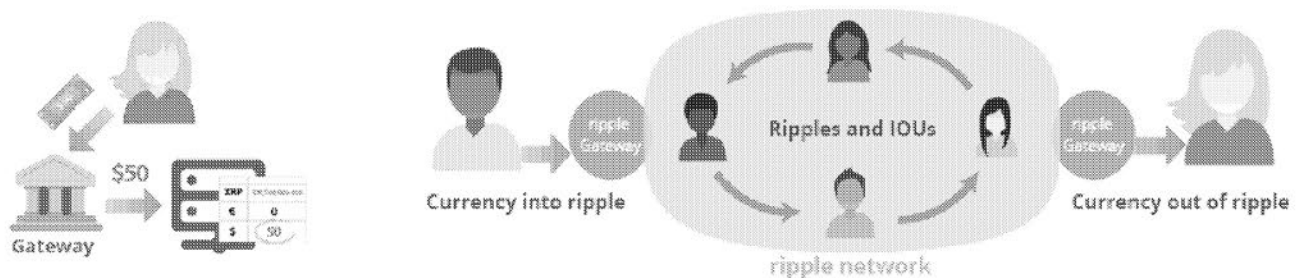
Fast



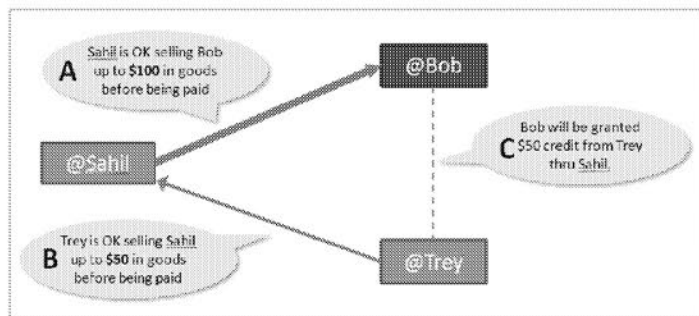
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Bridging to Other Financial Systems and Currencies

- Gateways – Existing BTC exchanges, money transmitters, FI's
- BitStamp, 2nd largest BTC exchange now a Gateway for 7 currencies



Peer-to-peer



- My friend trusts me with \$100
- A merchant trusts my friend with \$100
- Thus, the merchant trusts me with \$100



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Distributed Exchange

ripple WALLET

logout

77,534,681 xrp | 11,800,000 xrp

Wallet Send Receive Settings

Trust: USD/XRP Base currency: USD bitstamp.net Counter currency: XRP change issuer

Trade: Bid = 1,645.83000 Ask = 1,999.00000 Spread = 353.17000 Last price = n/a

Options: Buy USD Sell USD

Amount To Buy: 1 USD Price of Each: 1999 XRP Order Value: 1999 XRP

You are wanting to buy 1 USD for 1,999 XRP (1,999 XRP per USD)

Place Order

My Orders Order book

Sum	Amount	Bid	Ask	Amount	Sum
0.00000 USD	0.00000 USD	1,645.83000 XRP	1,999.00000 XRP	2 USD	2 USD
0.10000 USD	0.1 USD	1,600.00000 XRP	3,500.00000 XRP	7 USD	9 USD
10.10000 USD	10 USD	501.00000 XRP	4,500.00000 XRP	8 USD	17 USD



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Key New Currency Must Have's – Comparison to Bitcoin



Trust



Utility



Liquidity

Same as BTC trust:

- Amount can't be changed
- Math method currency

Improved trust:

- Ledger consensus = no mining, solves 51% attack problem

Improved utility:

- Confirms in seconds
- Allows any currency - BitCoin is BTC only
- Enables free given away
- Can adopt Ripple in preferred currency

Improved liquidity:

- Anyone can provide currency exchange
- Trade currency within network



Gateway Fee Example: Bitstamp

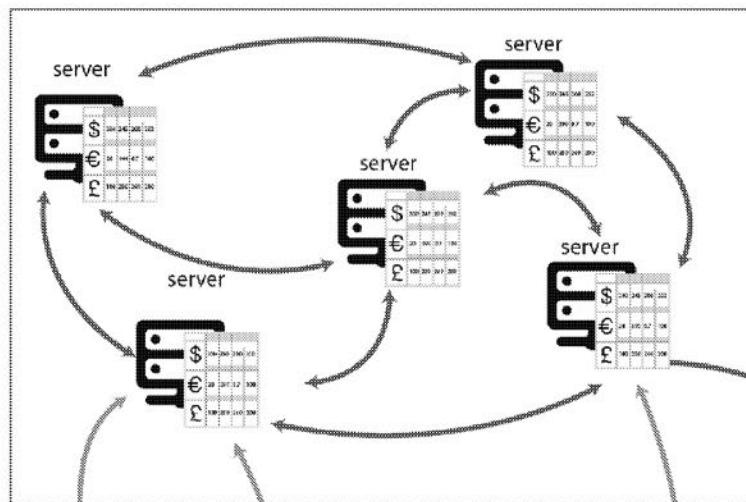
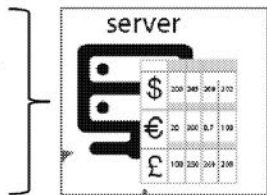
- Deposits to Gateway account
 - SEPA (Europe) - free
 - International wire (from anywhere) - \$15
- Create and Redeem Ripple IOU's
 - USD and BTC – free
 - .3% conversion rate for EUR, CHF, AUD, GBP, JPY
- Transfer IOUs
 - .2% each time traded
- Withdrawal from Gateway account
 - .9 EUR fixed fee regardless of amount
- Merchant Example: Receiving BitStamp USD or BTC payments
 - Free irreversible receipt of payments held in Ripple
 - Free redemption to BitStamp account
 - .90 EUR bulk withdrawal fee out of BitStamp. A merchant withdrawing 1,000 EUR batches pays .09%



Record Keeping in the Distributed Ledger

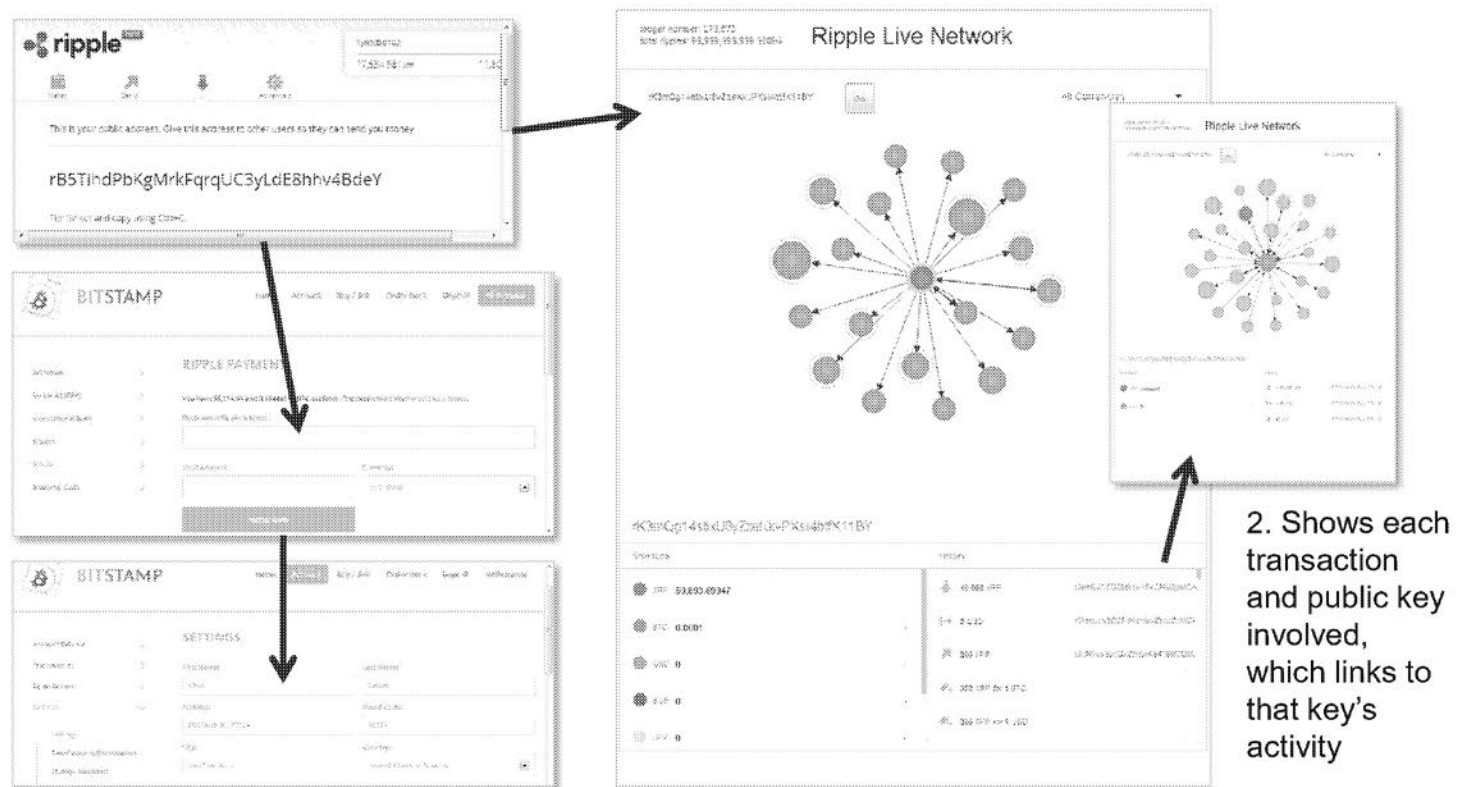
- Open source Ledger gives law enforcement real time access to network transactions
- While transactions are tagged by public key, learning the public key of an account provides a complete audit trail of that account's transaction history

- Sender's Public Key
- Recipient's Public Key
- Time stamp
- Any descriptors (e.g. Twitter-like handles)



Gateway KYC Example: Bitstamp

1. Gateways perform AML and KYC, links KYC to Ripple Key. Enter the public key in our Network tool to show real time transactions



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Regulatory and Legal

- Retained Perkins Coie to advise on regulatory issues
 - Dax Hansen, Partner in charge of Electronic Financial Services practice with expertise in electronic payments and virtual currencies
- Mitigating regulatory risks
 - We do not maintain the payments system or client on our servers. The product is a distributed open source platform that is not centrally controlled.
 - We will position the distributed design of the platform as entirely about cost reduction to consumers and merchants.
 - We will actively engage with law enforcement and only promote legal and constructive uses of the platform.
 - Bitcoin has operated for 3 years without much regulatory concern - the FBI and ECB have issued extensive reports on Bitcoin that were fairly neutral.



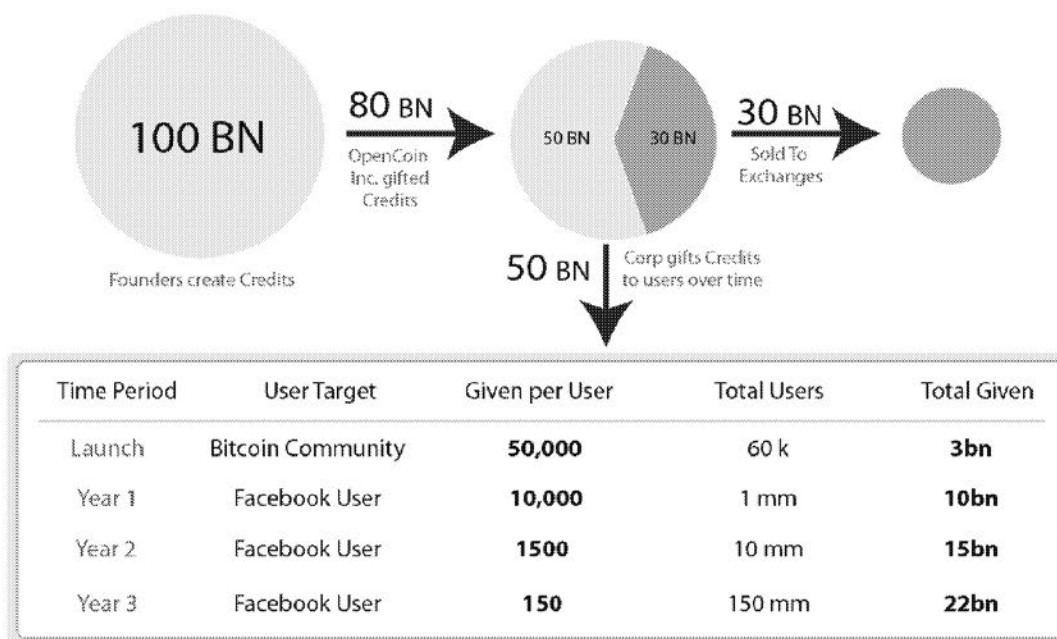
Key Regulatory Issues and Tactics for OpenCoin

- *Is OpenCoin subject to prepaid access rules requiring BSA/FinCEN requirements?*
 - OpenCoin do not maintain the payments system on our servers
 - We will only sell our currency to licensed wholesale Money Services Businesses (MSB's)
- *Although currencies are specifically exempt from securities law, virtual currencies such as Bitcoin have not received designation as currencies. As such, is this new currency a security?*
 - Will not be sold to users or investors in the Corporation
 - Will be given away for free to users
 - Will only sell to licensed wholesale MSB's
- *Are we responsible for illegal uses of the platform?*
 - We will only promote legal uses
 - We will work closely with law enforcement to fight fraud and scams
 - Platform interfaces with the traditional banking system through 'Gateways', which are licensed MSB and/or money transmitters



Distribution of ripples

- About half of all ripples will be given away. Regular users will receive the equivalent of about \$5 to \$10.
- Bitcoin users will receive larger gifts to encourage early support.



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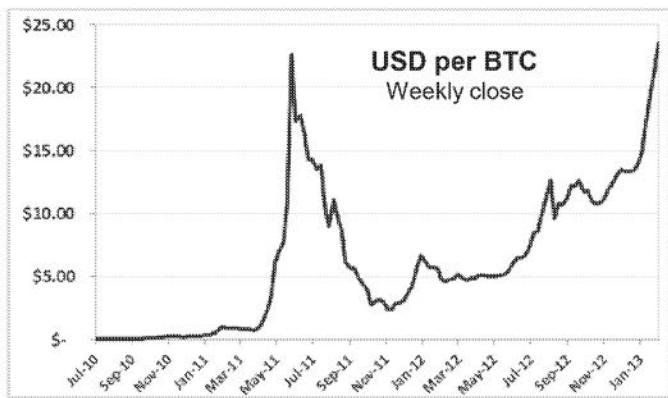
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The Business Model

Adoption of the Ripple Currency

- Ripple's business model is based on the success of its native currency
 - OpenCoin will keep between 25% to 30% of all currency created
 - OpenCoin will sell to wholesale MSB's over time to fund itself
- Can a virtual currency really create and hold value? *Bitcoin proves it can.*



Launched in 2009, Bitcoin started trading below \$.05, then spiked to \$30 in mid-2011 before crashing to \$2. It has steadily recovered to over \$20 today.

By improving on the lessons of Bitcoin, ripples should be even more valued



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Marketing Strategy

- Phase 1: Early Adopters – *at soft launch*
 - Existing Bitcoin users and merchants
 - Virtual goods purchases
 - Android In-app purchases
- Phase 2: Early Majority – *first year*
 - Begin giving away large amounts of ripples free of charge
 - International payments and transfers
 - Global e-commerce marketplaces
 - Emerging e-commerce payments platforms
- Phase 3: Late Majority – *at scale*
 - Mainstream merchants
 - Amazon, Wal*mart



Phase 1 Marketing: Bitcoin Community

Market Attributes

- Approximately 100K to 250K users, some merchant penetration
- Need an easier way to pay with Bitcoins
- Should support Ripple providing early market activity
- Growing 3rd party developer community (e.g. BitInstant, BitPay, Coinabul)

Keys to success

- Incent these users to support Ripple by giving them a special allocation of ripples
- Show developers that building apps for both Bitcoin and Ripple is complementary
- Emphasize usage of platform as a better way to use Bitcoins
- Use team's deep connections to the Bitcoin community



Phase 1 Marketing: Online Gaming and Virtual Goods

Android in-app purchases

- All top selling online games have In-App purchases
- In-App purchase penetration is very low on Android
- Google Play costs developers 30% of revenue



Only 3% of
Android apps
use in-app
purchases.
iPad has over
10%

Virtual goods resellers

- Larger virtual goods resellers make over \$100K per day
- Existing options are very expensive for the typically small items sold (often averaging \$1 or less)
- Charge back risk is very high
- Young and unbanked gamers don't have access to PayPal or credit cards



Phase 2 Marketing: e-Commerce Global Marketplaces and Payment Platforms

Global Marketplaces

- E-commerce Marketplaces are global in nature, but payment services are balkanized by country and region
- This is a real challenge for global services (e.g. Airbnb, Skype, oDesk)

New e-Commerce Payment Platforms

- Companies like Stripe, Braintree, Balancedpayments are building innovative payments methods for e-commerce companies.
- These services are built on top of existing networks with high fees, charge-backs, account and geographic restrictions that hurt e-commerce growth and profitability

Keys to success

- Integrate into payment option of e-commerce payments networks
- Allow e-commerce companies to give away ripples to new users



Phase 2 Marketing: International Payments

International Transactions

- High fees - \$45 bank to bank, 3% foreign debit card fees
- Very restrictive depending on the country

Key to success

- Position as a lower cost payments system
- Build client apps that are extremely easy to use
- Encourage and promote 3rd party companies and apps that enable charge-back protection where needed

